



CUSTOMERSATISFACTIONUK

Customer Satisfaction Improvement: Complicated Science or Common Sense?

A white paper by Jonathan Parkes

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A Growing Interest in Customer Satisfaction

Recent economic conditions have stimulated many businesses to review their approach to the management of customer satisfaction. Initiatives arising from Customer Relationship Management (CRM) and the Balanced Scorecard have encouraged this interest. At the same time, customers are becoming ever more demanding in their requirements and more sophisticated in their expectations whilst, increasingly, businesses are looking to use customer satisfaction as a tool for business growth.

In the IT sector, for example, more and more companies are finding that previously innovative products and services are becoming commodities; in response, they look to customer service as a means of differentiation from the mass. Alternatively, innovative businesses fight to keep up with increasing demand for their products until, when they reach the summit of the product-life cycle, they realise that the journey down the far side can be very steep indeed. They quickly look around for means of prolonging their time at the top!

Starting with the Correct Perspective

However, in today's intensely competitive marketplace, a merely satisfactory service is taken for granted. Using customer satisfaction as a means of differentiation and competitive advantage only works for those businesses that provide **exceptional** levels of customer service.

To achieve this, to make the difference between a good service and an outstanding one, requires new approaches and tools.

One result is a burgeoning flow of gurus, seminars and methodologies all of which, for a fee, hold out promises of short cuts and revealing insights to customer nirvana. Business managers can come to think that the entire process of Customer Satisfaction Improvement is complex and sophisticated, and that processes and tools must also be complex and sophisticated.

Why...?

At Customer Satisfaction UK, in our work with businesses of all types, we frequently find that managers rush to measure, manage and improve customer satisfaction, uncritically and with blind faith that it is a 'good thing'. Few organisations can give a convincing answer to the question **why** it is important to improve customer satisfaction, and more importantly **how** their business will benefit as a result.

Instead, we encourage everyone, before rushing to set up improvement programmes, first to pause and to make time to answer these basic questions.

The answers are usually simple but, nevertheless, very important. For example, improvements in customer satisfaction can deliver benefits through greater customer retention. Greater customer retention will, in turn, help the business to achieve key commercial objectives such as faster growth or higher margins.

Delivering the Benefits

From here it is an easy step to set up processes to measure and monitor the impact of changes in customer retention upon these key objectives. These can become a yardstick by which to measure and demonstrate the direct benefits delivered by improvements in customer satisfaction, providing a simple but powerful commercial focus and a valuable foundation underpinning a subsequent business-wide customer service strategy.



Using measures such as these it can be confirmed that actions taken are delivering cost-effective benefits. The business can work to understand which elements of customer service – *the service drivers* – have the greatest impact upon these objectives. Initiatives can be designed to improve performance in these elements; measurements can be made to determine their impact.

As a result, from the very beginning, the business is in control of its customer satisfaction programme. Employees at all levels know why they need to make changes and how their actions are likely to improve customer satisfaction. Simple performance indicators can confirm that actions are delivering relevant and cost-effective benefits.

This simple review often delivers spin-off benefits – for instance, revealing a disturbing lack of consensus about the most basic aims of the business, even at Board level, or the lack of measurements of some of the most basic performance indicators.

Only once it has addressed the basic issues, identified objectives and established a strategy, can the business select the most appropriate tools and processes to use. How many businesses first adopt the tool – the Balanced Scorecard or CRM, for example-, and only then consider how this tool might be used to the benefit of the business?

Measuring the Key Criteria

By following the top-down strategy-focused approach we recommend, armed with a clear idea of how they will benefit from improved customer satisfaction, businesses can move forward with greater confidence to the next step.

Before taking this next step, however, many businesses may also benefit from reviewing some basic assumptions about customer satisfaction.

At Customer Satisfaction UK people often tell us,

'We have done a survey, and 96% of our customers are satisfied'.

They expect us to be impressed, but sadly we are not. Customers *expect* to be satisfied. Generally, a satisfactory service is taken for granted – customers would decide not to do business with a company if this was not so. A merely satisfactory service becomes a commodity, with negligible impact upon competitive performance.

Therefore, if a satisfactory service is no big deal, it is important to remember that satisfied customers can easily become disloyal customers, very willing to listen to the offerings of competitors.

Consequently, it is the customers who are more than just 'satisfied' which count – those who are extremely satisfied or delighted with the service they receive. It is these who are most likely to remain loyal, to recommend the business to others, to buy more services or even to pay more for them! So the key measure of a business' performance should be 'extreme satisfaction' or 'customer delight' rather than mere satisfaction.

Therefore, a summary of the data could look something like Figure 1 below.

(Continues on next page).

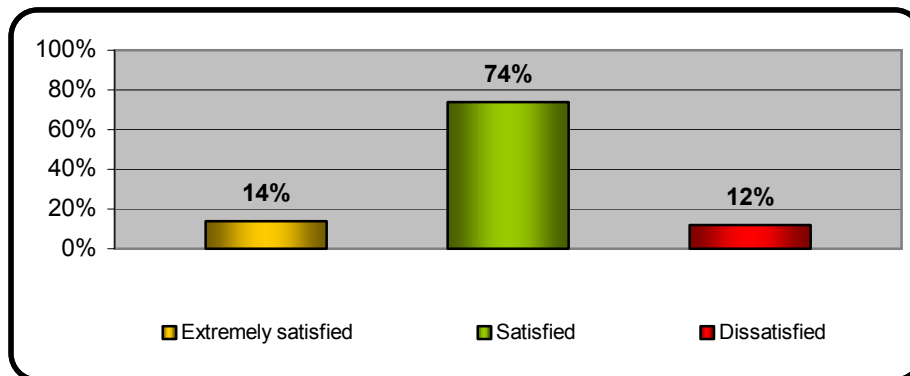


Figure 1

The critical measure is the 14% of customers who are extremely satisfied. These together can represent the future prosperity and success of the business.

Of course, the 12% who are dissatisfied are likely to be actively disloyal – if they can be. In some cases, customers are unable to be disloyal because they are not decision-makers or because products and services are so deeply embedded in their business that they cannot easily get rid of them. Instead, they can become awkward, demanding customers; bad ambassadors in the marketplace and expensive to support.

Furthermore, the 74% who are 'merely' satisfied are fragile, representing both an opportunity – by conversion into 'delighted' customers, and a threat – by being turned into lost customers by aggressive competitors. This concept, that relationships with satisfied customers are fragile, can be a shock to some businesses, especially where satisfied customers comprise the majority of the customer base.

Businesses should recognise the dynamic nature of the situation. We describe this as 'Corporate Backgammon' (see Figure 2). Whilst our clients are working to move their customers from the 'dissatisfied' to the 'satisfied' to the 'extremely satisfied' columns of their graph, their competitors are working to move customers in the opposite direction:

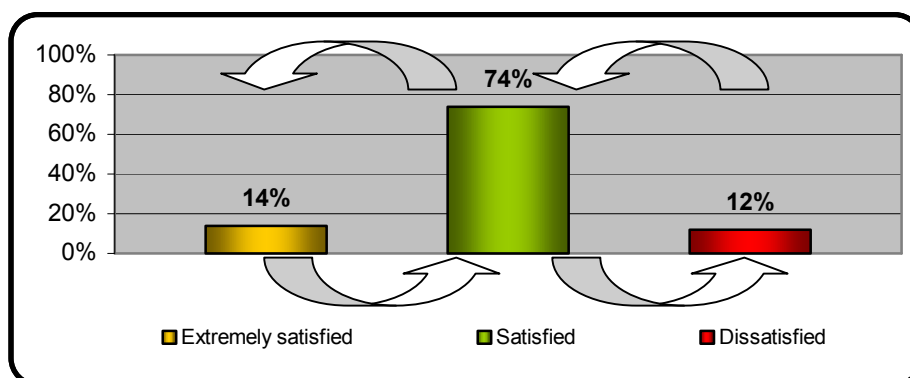


Figure 2: Corporate Backgammon

Sadly, the dynamic nature of the environment is demonstrated in other ways. Innovation in customer service may increase customer satisfaction in the short term. In the medium term, it provides an opportunity for competitors to imitate and neutralise any advantage. In the longer term, it serves to raise expectations.

For instance, it used to be impressive if a garage washed and valeted a car when it was serviced. Now, it tends to be taken for granted and, moreover, if not done, actually causes customer dissatisfaction.

Many businesses fail to realise what is needed. For instance, a survey and action plan is often seen as a one-off task to be dealt with. In fact, improving customer satisfaction is like working a treadmill - a continuous process of constant improvement. The challenge is to ensure that you drive your treadmill faster than your competitors.

Benchmarking

Whilst reviewing basic customer satisfaction issues, the term 'competitor' should be used carefully. Other suppliers –the peer group – as well as competitors, set expectations. Therefore, benchmarking against competitors can be misleading. One of our clients, a networking equipment company, was very self-satisfied because its field engineers were considered to perform much better than competitors' engineers. However, Customer Satisfaction UK found that customers were, in fact, very dissatisfied with their performance. Our investigation showed that our client's engineers *did indeed* perform better but customers, who had no experience of the competitors' engineers, were comparing performance with engineers from other, similar suppliers such as those who maintained their telephone PABX, their security systems and so on. In general, these engineers performed far better than our client's.

This example demonstrates the importance of taking an objective view, seeing the customers' external perspectives and taking into account the entire spectrum of a business' activities. This can be facilitated if customer satisfaction is measured for each of the key 'service drivers' which apply throughout the business. The rate of change in performance for each of these can be measured over time (figure 3):

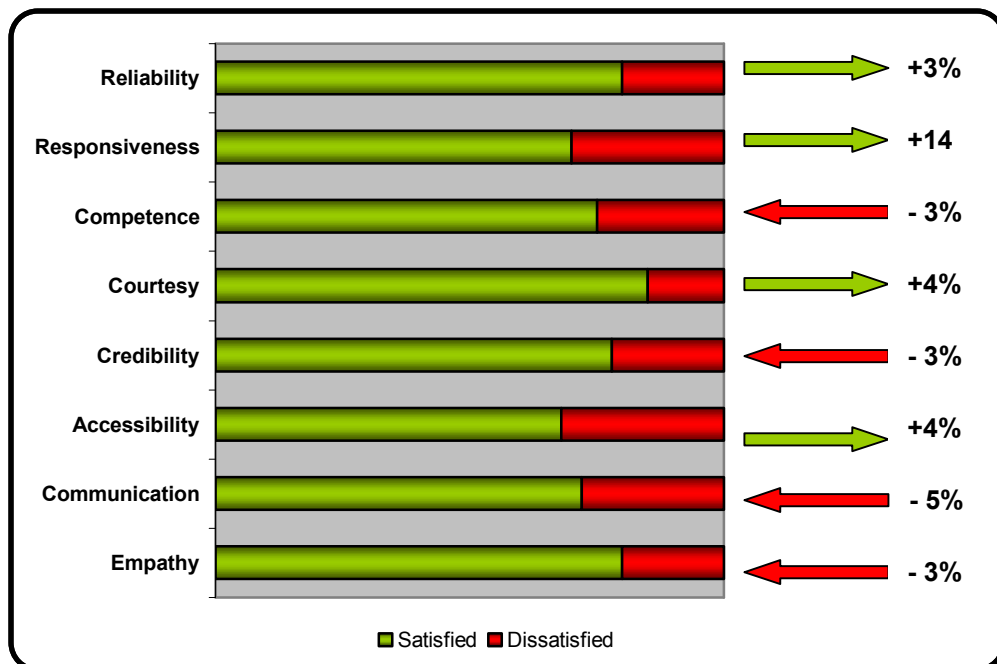


Figure 3

Understanding the Value Chain

Companies sometimes find this balanced approach difficult and become distracted by certain elements of the business. In some cases there may be a cultural or political bias, where attention is given to the departments with the highest status, or where the manager can shout the loudest. There is the example of the company that invested considerable attention in the development and enhancement of its software product, but neglected to train and equip its sales force effectively. As a result, potential customers were unable to appreciate the benefits resulting from this investment in development, and sales suffered.

Therefore it is important, at the earliest stage, to identify the full customer service chain or value chain. This helps to establish a 'cradle to grave' approach to customer satisfaction from pre-sales right through to contract renewal. The supplier must understand the customer's unique needs at each successive stage of the service chain and work to satisfy these to the greatest possible extent. The business must ensure that every member of staff, at every level and in every department, recognises their collective responsibility of looking after the customer. This starts from the moment of the customer's first contact with the business, through successive stages of contact, until the customer is ready to renew or to re-purchase. Like a relay race, a satisfied customer must be handed from one person to another, from one stage to the next so that the chain is not broken.

Many businesses find great difficulty in delivering a seamless service across the service chain. Often, each department is under pressure from rapid growth and continuous change. Struggling to cope with their own tasks, sections find it difficult to take a wider view and understand the needs of colleagues. At best, there are contradictory priorities and at worst, downright conflict. We have seen examples where an accounts department, charged with improving credit control, has frozen supplies to a critical client about to place a very important order.

Tracking satisfaction across the service chain highlights where resources and efforts for improvement should be invested first (Figure 4).

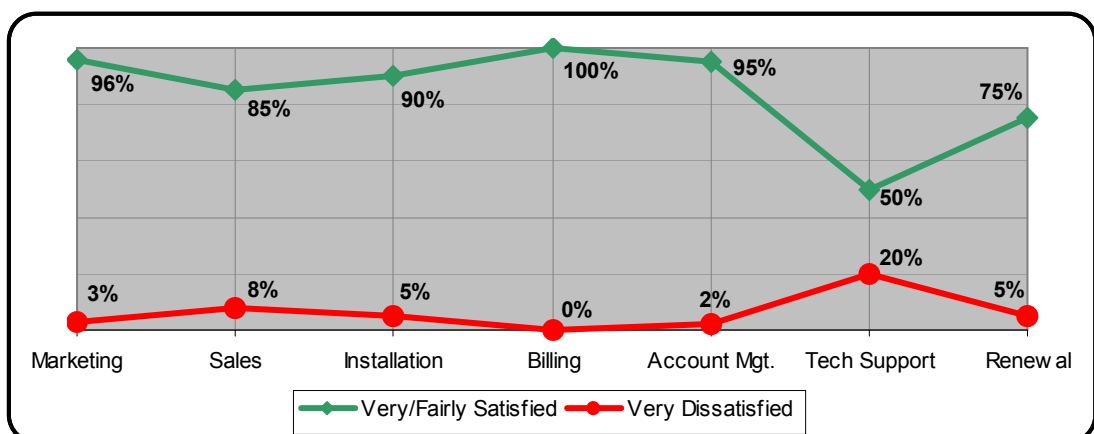


Figure 4: Tracking satisfaction across the service chain highlights where resources should be invested



Understanding Customer Needs

Often, unsympathetic to customers' perspectives, businesses deliver services to suit their own internal convenience, unaware of the problems and frustration this causes. For instance, customers who previously dealt with one individual are made to deal with sales managers, service managers and account managers. Alternatively, customers who thought that they were buying a comprehensive package find that they have to deal with three different departments, often at different locations for, say, software support, hardware support and maintenance.

In working to deliver customer service across the entire service chain, businesses can benefit from acknowledging that service needs will vary according to the level of the person involved. The front-line engineer who calls the Help Desk at five o'clock on a Friday afternoon will have very different needs from the senior decision maker, perhaps the Finance Director, who signs the cheques. Between these extremes are the customer's mid-level management, such as IT or communications managers. Frequently these people are, themselves, internal service providers. That is, not only do they take delivery of, and manage, a particular product or service, but frequently they also use these products and services to provide a service to their own internal customers. Their satisfaction as customers, if not their individual career prospects, depends upon how successful they are in satisfying their own customers.

Consequently, when working to improve the satisfaction of these people, it is useful to recognise that they have requirements beyond the nuts-and-bolts issues of day-to-day services. Suppliers can think more proactively, asking themselves

"How can we understand and satisfy these people's needs more effectively"?

helping them to deliver a better service to their internal customers. For example, one business has delivered a series of broadly based technical seminars, not directly related to its products, but designed to increase its client's knowledge regarding a broad range of technical issues. As a result, clients are better able to advise their colleagues and internal customers.

Another business changed its performance-reporting format and schedule in order to make more useful information available to its client immediately before its monthly internal performance review. As a result, in these cases, individuals were better informed and prepared, 'looking good' in they eyes of colleagues and managers.

Thus, the delivery of customer satisfaction can be multi-dimensional, with many facets, interacting with a client's organisation in different ways, at different places, with different people. Some commonly used tools and techniques fail to accommodate this. CRM, for instance, can be wrongly applied, focused primarily at the 'front-end' of the business. Whilst being a very valuable tool, it can breed false complacency, as people are not encouraged to look at other elements and dimensions of relationships with customers.

Prioritising the Issues

So, given this complexity, how can already overworked and overwhelmed managers cut through the noise to deal with the issues that really matter?

We hope that they are starting with a clear summary of the key aims of the business and a simple strategy that shows how improvements in customer satisfaction will help to achieve these aims.

We also hope that each manager has an objective, comprehensive view of the business, the full extent of its service chain, and an honest understanding of the customers' perspectives.

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The next task is to identify the key 'satisfaction drivers' – the issues that have the greatest impact upon customer satisfaction. Here again, the dynamic nature of customer

satisfaction must be acknowledged. The most successful businesses will be those that react to changing needs most promptly and effectively. Business tools that do not help to manage this dynamism and volatility can become a handicap, if not a direct liability.

Many businesses measure customer satisfaction across a range of issues. Surprisingly, few also measure the relative importance of these issues.

Without this measure of importance it is very difficult to prioritise and allocate resources. Instead, all that can be done is to invest necessarily limited resources equally across issues of equal dissatisfaction, or alternatively according to some subjective internal rationale.

A comparison between levels of importance and satisfaction enables the company to set priorities, identifying issues of least satisfaction and greatest importance, and to allocate resources accordingly. In this way, key 'service drivers' throughout the business can be identified. This helps to avoid internal biases. For instance, a client was making considerable investments in improving the operation of its Help Desk until it discovered that the most important issue of customer dissatisfaction – with the greatest difference between satisfaction and importance – concerned billing and invoicing. A small switch of investment to this area rapidly delivered significant improvements in overall customer satisfaction.

In this way, key service drivers can be identified for the business overall – also for the separate elements of the service chain and even for other elements of the business, such as product groups, market segments or geographical markets.

This simple technique can be extremely effective, providing staff at every level of the business, from senior director to most junior recruit, with a clear idea of which priorities are relevant to them.

Taking Action

Of course, having identified priorities where improvements are needed the most; the next step is to actually take action!

Again, before setting out enthusiastically on the road to customer satisfaction improvement, it is worth taking time to plan the journey.

This helps businesses to avoid a cultural bias in their approach, where improvements to customer satisfaction are primarily seen in terms of technical changes such as product enhancements or process improvements.

From their personal experience, most people will agree that the root cause solution to issues of customer dissatisfaction most usually requires **people doing something different**. Ultimately, most actions to improve customer satisfaction involve people behaving differently by adopting different priorities, skills and attitudes.

Initiatives to improve customer satisfaction will be more successful if this fact is recognised at the earliest possible moment. For instance, why are HR and training departments often not involved in the design and implementation of new tools or processes such as CRM?

If this is so, then from the start businesses must plan to **sell** the ultimate action plan to their people – the same people who will be required to implement this plan, making challenging changes to the way in which they work. This will be much easier if staff are involved and committed from the earliest stages. Time invested at this stage, consulting and involving, will be

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rewarded at the end with greater understanding, enthusiasm and commitment; and, therefore, better results.

Consider the experience of one manager who rejected the old practice of 'launching' an improvement plan on the rest of the business. Instead, through his more enlightened approach, he sampled staff opinions and involved key individuals in planning and implementation. Results were dramatically different. Staff did not feel that they were victims, threatened and criticised. They were not resistant or uncooperative, nor wished to 'shoot the messenger'.

Set up properly, with the support of people, an improvement process should be driven by enthusiastic staff who are keenly awaiting successive stages of the work, rather than having to be pushed by overworked and cynical managers.

Even so, however good the set up, the task of selling the ultimate results and action plan to people should be carefully considered. Certainly, the usual approach of giving them thick reports and boring presentations is not the way.

Selling to people need not be difficult – invariably, staff are enthusiastic and conscientious. They **want** to improve and usually have a good idea of what should be done, if not how to do it. Instead of the usual vague objectives, conflicting priorities, poor leadership, heavy workloads and inadequate information, the challenge to management is to present information to staff as simply and straightforwardly as possible, agreeing practical actions to achieve simple, relevant objectives. We advocate the value of the 'next morning check'

Once the programme has been presented to staff, managers should confirm that everyone involved, at every level of the business, could answer with confidence

"When I come in to work tomorrow morning, **I know what I must do** first in order to improve customer satisfaction, I know **why I should do it** - how it will change customers' perceptions, I know **how I am going to do it** and I know how my success will be measured".

This is a very ambitious aim. Therefore, the business should consider carefully how it is to support its people trying to achieve this aim. Most people work hard, trying to do a good job. The business may seek to answer the question

"What are the barriers within our organisation which prevent people doing a good job?" Most likely these concern lack of direction, clear priorities and good leadership.

In such circumstances, **employee** satisfaction surveys may be a valuable complement to **customer** satisfaction surveys, helping to identify and overcome such barriers. Using a common methodology ensures a consistent approach throughout the business.

Managing Customer Relationships

Of course, a basic aim of improving customer satisfaction is building stronger relationships with customers. Sometimes, businesses do not appreciate the multi-dimensional many-faceted complexity of these relationships. Despite this complexity, the lowest common denominator is almost always **people**. Ultimately, customer satisfaction is usually determined by the contact between two warm-bodied human beings, despite the greater use of tools such as interactive web-based technology. Consequently, despite the tools and technologies available to facilitate the process, ultimately most actions to improve customer satisfaction will be focused on improving the interaction between people. Businesses should not forget this and allow themselves to become distracted by the apparent panaceas of seductive technologies.

For those businesses with relatively few clients, relationships between distinct individuals are particularly important. In these cases, proactive management of relationships between individuals is critically important to customer satisfaction, yet is frequently neglected.

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However, 'relationship management' of this kind is important for all businesses, and especially in the IT industry, in an increasingly mature, undifferentiated market with an increasing quality of service. Businesses must work harder if they wish to differentiate themselves through the quality and content of their customer service.

Consequently, many businesses are focusing with increasing precision and detail upon their customers' needs. They work to deliver services expressly tailored to the needs of particular clients and, increasingly, to the needs of individual people. Account managers and others work hard to identify and understand the unique, personal, often idiosyncratic needs of the individuals they deal with and then to provide services carefully tailored to satisfy these requirements.

Consider, for example, the British employee of an American company – he preferred documents to be presented to him with English spellings. Then, there was the client who commuted from Manchester to London; review meetings held at an hotel in Manchester on a Monday or a Friday enabled him to sleep at home for an extra night each month.

Once the concept of the tailored service is accepted, then there is enormous scope for devising tactics to enhance service, increase satisfaction and to strengthen customer relationships. Busy managers, inundated with yet more glossy adverts and brochures about expensive CRM installations, may find some comfort from the thought that there is another side to CRM!

Implications for Maturing Businesses

Whatever one's view, whatever tools are used, increasingly, initiatives to deliver greater customer satisfaction require businesses to be more dynamic, individual, flexible and responsive. This presents a particular challenge to those companies that are going through the painful transition from entrepreneurial business to a more mature organisation. They recognise the need for more formal, more bureaucratic approaches to managing their growing business. However, the difficult challenge is to get the control, discipline and professionalism they now require, without destroying the enthusiasm, entrepreneurialism, dynamism and flexibility that gave them the success in the first place. These are the very attributes needed in greater abundance in order to deliver services that are tailored to individual requirements. This is one reason why tools such as CRM, if used properly, can offer significant benefits to the business, but if implemented without a clear strategy for their use can, at best, be inefficient and at worst counter-productive.

Customer Satisfaction in Hard Times

This paper has focused on those businesses experiencing rapid growth in the marketplace. Of course, for many this is not the case as a maturing and increasingly competitive market makes business more difficult for some. Indeed, considering the current upheaval in global financial markets and the resultant recession, business is becoming more difficult for many.

In these cases, some businesses may choose to use customer satisfaction improvement as a powerful defensive technique. When times get hard and resources fewer, then a precise and up-to-date understanding of customer needs is even more important. Effective tools to measure, monitor and improve customer satisfaction can become extremely valuable, especially if used to measure the effectiveness of actions taken. Sadly, in less enlightened businesses with ineffective customer-satisfaction programmes such tools can be viewed as a costly overhead. When times get hard, they are the first to be cut. This could be a mistake, and hand an opportunity to other that can use these tools as a means of achieving the win-win of more efficient operations and enhanced competitive advantage.



Practical Techniques

It should be noted that little has been said here about practical techniques for investigating, measuring and monitoring customer satisfaction. We have not discussed methods of data collection, sample size, questionnaire design or any of the other many things to be considered. This is deliberate. We commonly find businesses that have become distracted by the logistics of research and measurement, jumping in prematurely before answering some of the fundamental questions proposed here. As a result, the process of data collection becomes a substitute for action: an end in itself rather than the means to an end. Sometimes, the effort of collecting data is so great that there is little energy or commitment left to actually use it!

Instead, we suggest that the process of data collection should be almost invisible to the people who are using it. Businesses should recognise that the real work of customer satisfaction improvement only starts once data has been presented.

In Conclusion

As companies fight harder to achieve sustainable competitive advantage in the marketplace, management tools that deliver improvements in customer satisfaction will prove to be popular and powerful business assets. Many will seek to exploit this opportunity; most will fail to realise worthwhile benefits. At Customer Satisfaction UK we hope that we have helped to increase success rates by sharing our experience working with many world-class businesses.

We hope that we have demonstrated that, whilst customer satisfaction improvement can be presented as a complicated science, in fact, the initiatives built upon common sense are the ones most likely to succeed. Several sophisticated tools and techniques are currently in vogue. However, the potential of these can be exploited most effectively if a business first establishes sound foundations built upon simple concepts. Initiatives focused on simple objectives and clear strategies, based upon an objective perspective, targeted on key measures and delivered with the support of staff can produce tremendous commercial benefits.
Good luck!

Jonathan Parkes is the Managing Director of Customer Satisfaction UK, experts in measuring, monitoring and improving customer satisfaction, particularly specialising in the international IT and communications industry. With twenty years' experience they have developed a substantial portfolio of world-class clients and a comprehensive range of services to help businesses achieve measureable, cost-effective benefits from improvements in customer satisfaction. Jonathan can be contacted via the website www.customersatisfactionuk.com